

2<sup>nd</sup> Cyprus Economic Forum

Limassol

*31<sup>st</sup> January 2011*

**The World Economic Crisis:  
Challenges and Opportunities**

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***HEAD***

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# Presentation outline



**A. The shipping bank finance market**

**B. The attractiveness of shipping to banks and investors**



## A. The shipping bank finance market

- Global ship lending figures (drawn and committed) at the end of November 2010 are estimated at \$500bn (excludes offshore sector), of which \$420bn is drawn and \$80bn committed but undrawn.



## A. The shipping bank finance market

- The above totals may underestimate the contribution of some Far Eastern and Middle Eastern banks which do not make their figures readily available.
- 2009 witnessed a severe drop in fresh lending as well as a significant reduction of loan commitments. However, the growth trend resumed mildly in 2010.
- Given the total no of vessels in the global fleet of 44,784 (Sept.2010, N. Cotzias) of all sizes and ages, the average debt amounts to \$9.4m per vessel.



## A. The shipping bank finance market

- In Graph 1, we present the latest Petrofin Bank Research ©, on the shipping loan portfolio of the top 40 global ship finance banks representing \$449.76bn of total loans.

- It should be noted that at the commencement of 2010, the top 40 global shipping bank loans amounted to \$436bn.

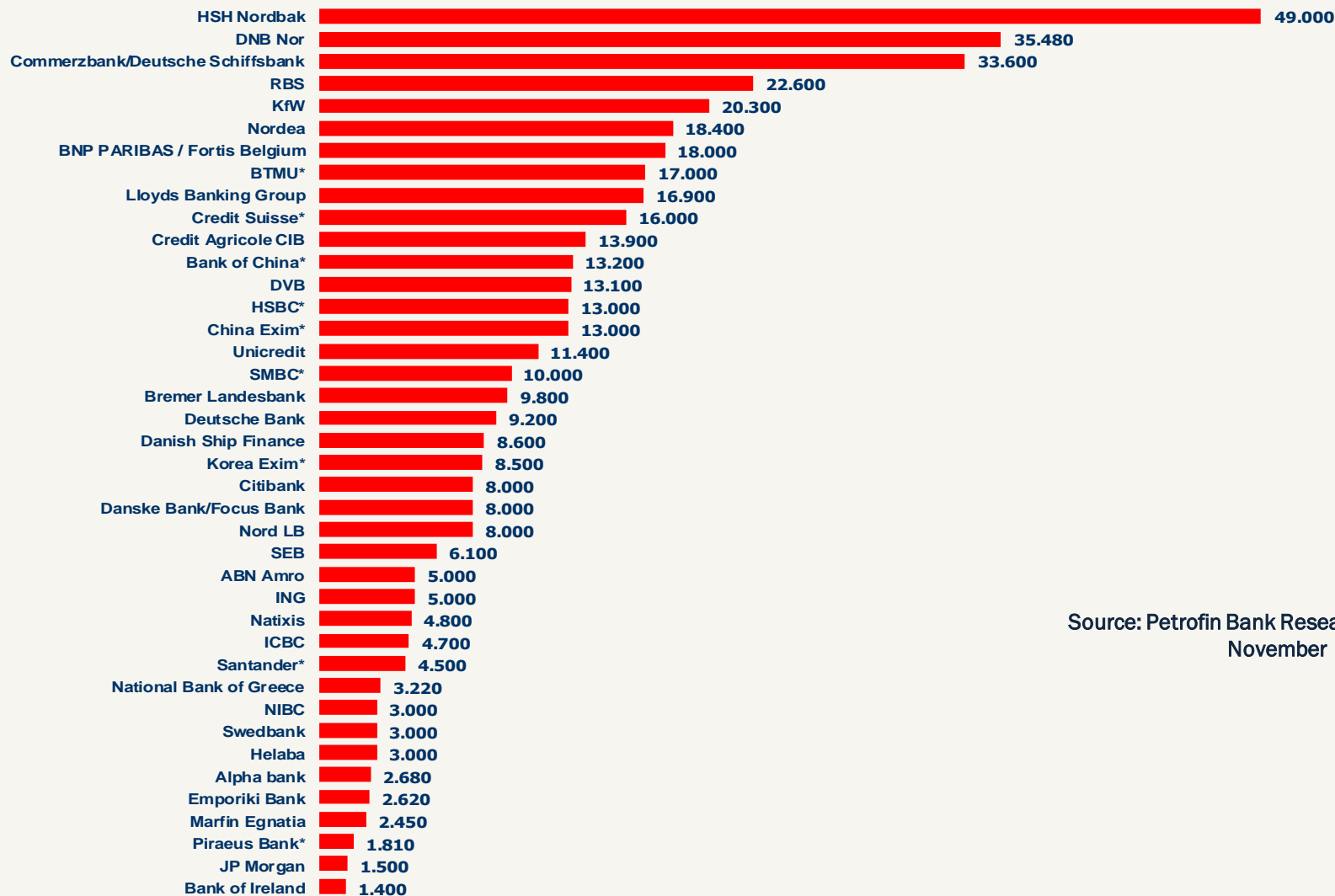
- Consequently, in less than 1 full year, there has been a growth of 13.76bn at 3.14%, as opposed to a fall of 5.7% in 2009.

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# Bank Lending to Shipping

Ship finance based on data up to November 2010 – in \$bn

- Total loans of leading 40 ship finance banks approximately \$449.76bn
- Top 6 Banks Finance approx. 39.88% of Shipping Loans



Source: Petrofin Bank Research ©/ Marine Money  
November 2010

\* Market estimates



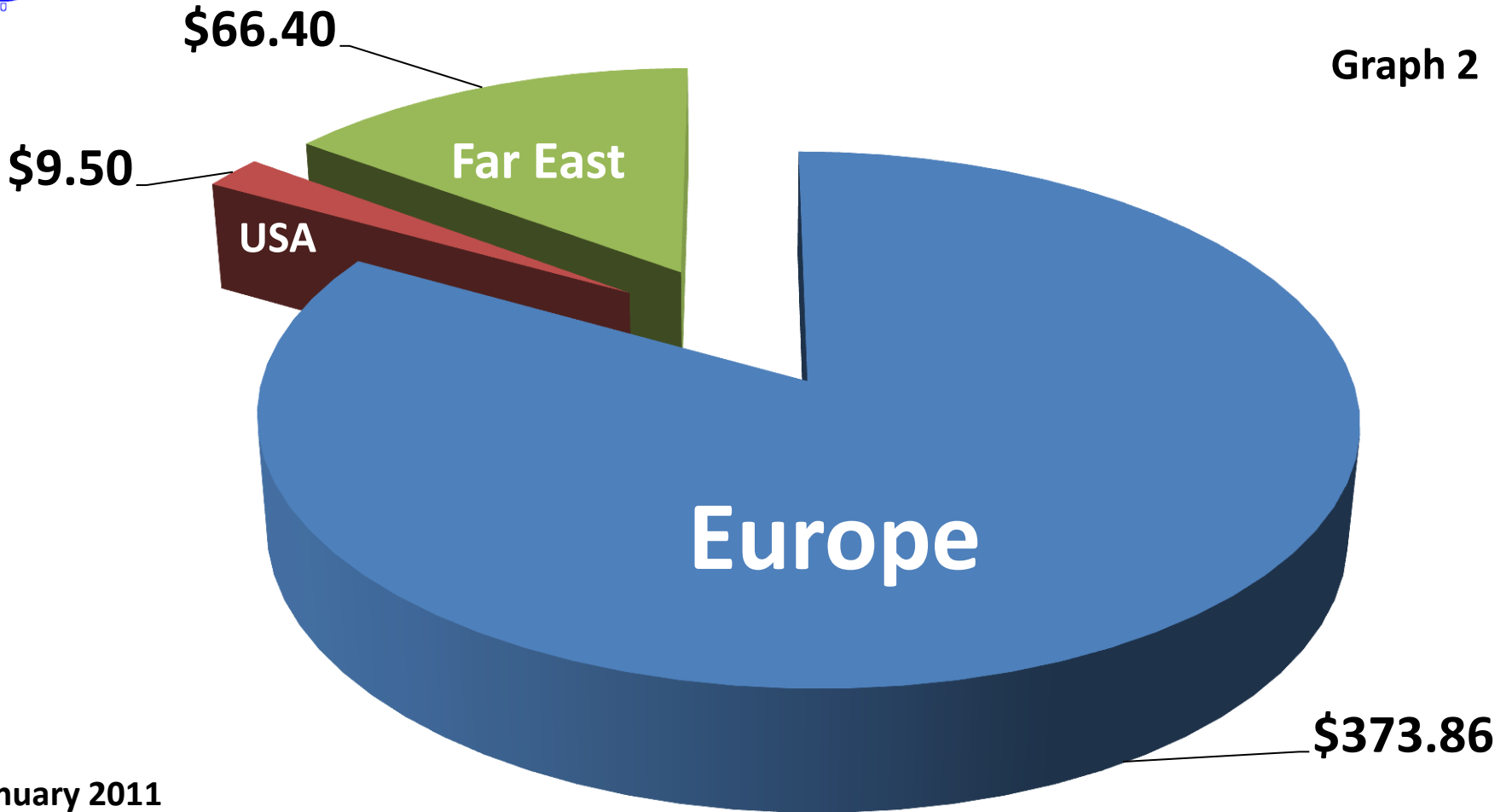
## A. The shipping bank finance market

- In Graph 2 we show the loan portfolio of the top 40 banks according to geographic location.



# Top 40 banks' portfolios according to geographical location – in US\$bn

Graph 2



January 2011

■ Europe   ■ USA   ■ Far East





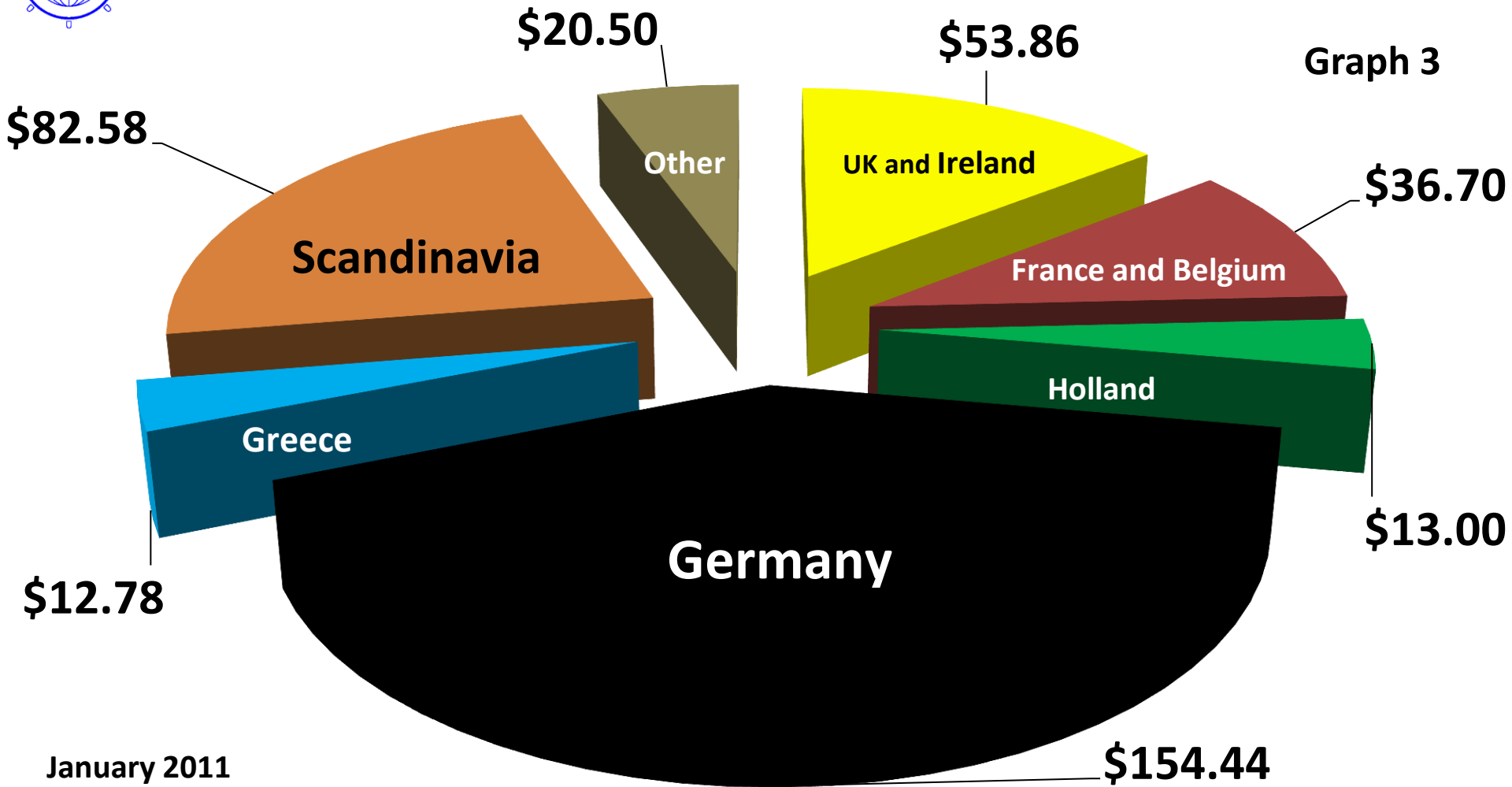
## A. The shipping bank finance market

- In Graph 3 we show the breakdown of the European ship finance portfolio and in Graphs 4 that of the Far East.



# European ship finance portfolios - 32 banks

Graph 3



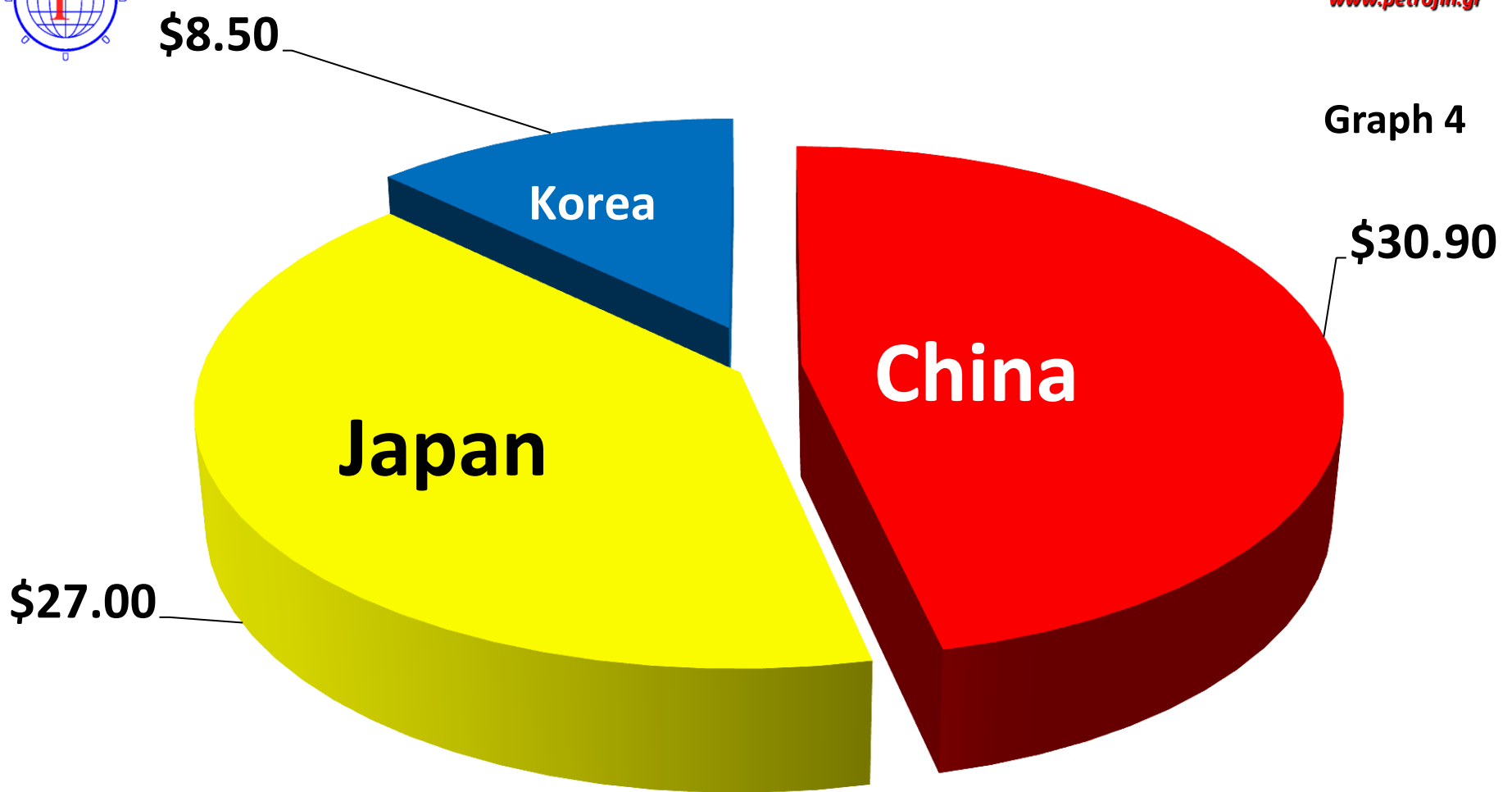
January 2011

- UK and Ireland
- France and Belgium
- Holland
- Germany
- Greece
- Scandinavia
- Other European



# Far Eastern ship finance portfolios-6 banks

Graph 4



January 2011

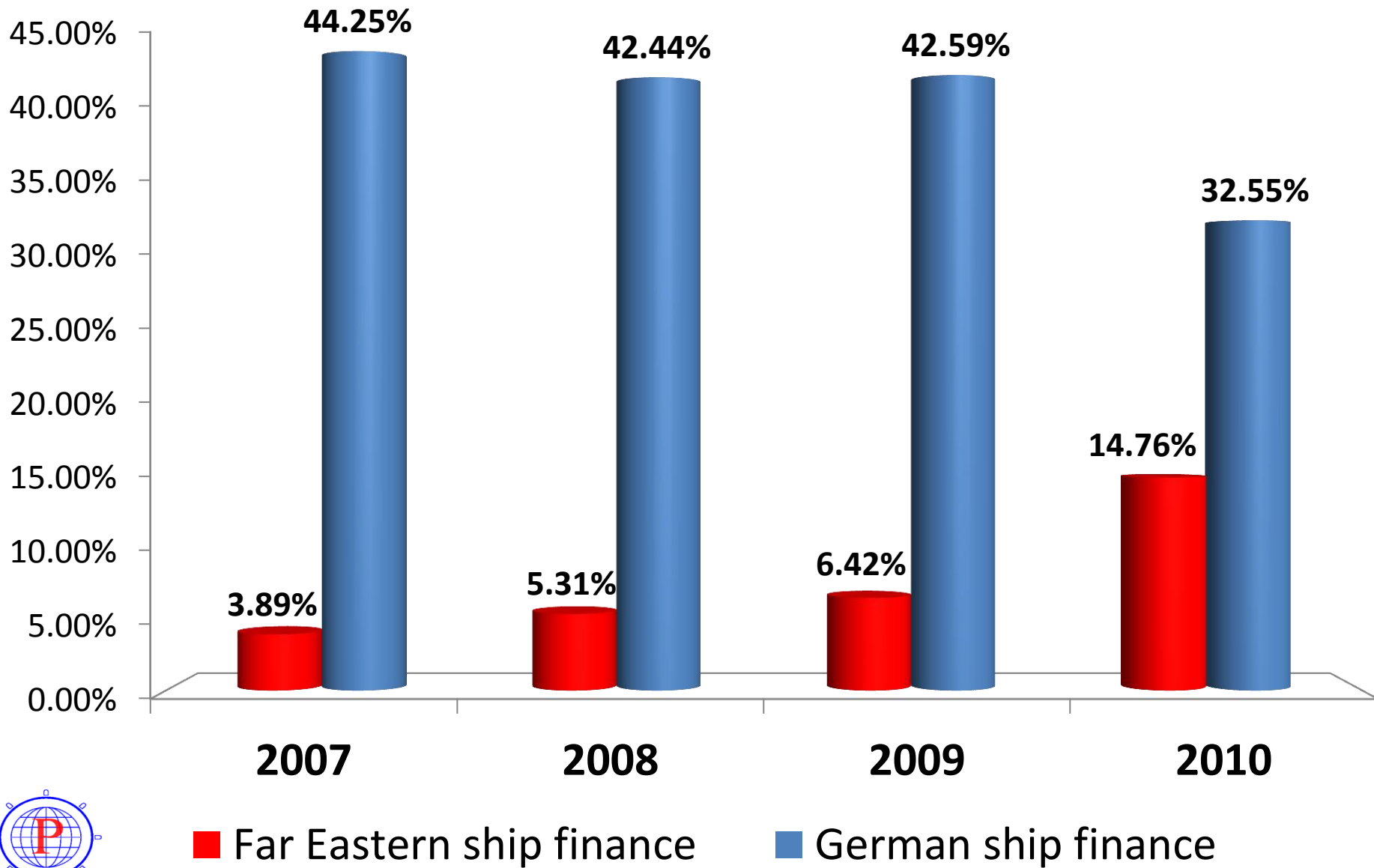
■ China   ■ Japan   ■ Korea



## A. The shipping bank finance market

- In Graph 5 we show the evolution of German and Far Eastern ship finance

Graph 5





## B. The attractiveness of shipping to banks and investors

### *The attractiveness to banks*

1. High margins and fees
2. Lower loan to asset advances
3. Stricter financial covenants
4. Secured income and / or non-collateral support
5. Cash flow and collateral protection
6. Corporate / personal guarantees



## **B. The attractiveness of shipping to banks and investors**

- 7. Client track record**
- 8. Modern assets**
- 9. Longevity of asset life versus loan tenor**
- 10. Shipping industry's track record**
- 11. Use of ancillary bank services and products**
- 12. Cash flow and collateral protection**



## B. The attractiveness of shipping to banks and investors

### *Drawbacks*

1. Industry cyclicality
2. Overcapacity dangers
3. Interest rate sensitivity
4. Over-reliance on China





## B. The attractiveness of shipping to banks and investors

### *The attractiveness to investors*

1. Investing in the real economy
2. Leverage enhances returns
3. Tax and other advantages
4. Ability to invest at the right time
5. Spectacular returns possible
6. Modern long serving assets
7. Ability to diversify
8. Secured employment possible



## B. The attractiveness of shipping to banks and investors

### *Drawbacks*

1. Cash flow and asset value volatility
2. Leverage enhances risk
3. Risks of overcapacity
4. Management risks
5. Possible charterer failure
6. Interest rate / cost of borrowing risk



# Summary and conclusions